

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

CITY OF BIRMINGHAM FIREMEN’S  
AND POLICEMEN’S SUPPLEMENTAL  
PENSION SYSTEM, Individually and On  
Behalf of All Others Similarly Situated,

Plaintiff,

v.

PLURALSIGHT, INC., AARON  
SKONNARD, and JAMES BUDGE,

Defendants.

Case No.: \_\_\_\_\_

CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS

JURY TRIAL DEMANDED

Plaintiff City of Birmingham Firemen’s and Policemen’s Supplemental Pension System (“Plaintiff”) alleges the following upon personal knowledge as to allegations specifically pertaining to Plaintiff and, as to all other matters, upon the investigation of counsel, which included: (a) review and analysis of public filings with the United States Securities and Exchange Commission (“SEC”) made by Pluralsight, Inc. (“Pluralsight” or the “Company”) and related parties; (b) review and analysis of press releases and other publications disseminated by Pluralsight and related parties; (c) review and analysis of shareholder communications, conference calls and postings on Pluralsight’s website concerning the Company’s public statements; (d) review and analysis of news articles concerning Pluralsight and related parties; and (e) review of other publicly available information concerning Pluralsight, related parties, and/or the Individual Defendants (as defined below).

**I. NATURE OF THE ACTION**

1. This is a federal securities class action against Pluralsight and certain of its officers for violations of the federal securities laws. Plaintiff brings this action on behalf of all

persons or entities that purchased or otherwise acquired Pluralsight common stock from August 2, 2018 through July 31, 2019, inclusive (the “Class Period”), seeking to pursue remedies under the Securities Exchange Act of 1934 (the “Exchange Act”). The Exchange Act claims allege that certain defendants made a series of false and misleading statements and omissions, which artificially inflated the Company’s stock price.

2. Pluralsight is a provider of cloud-based and video training courses for employees such as software developers, IT administrators, and creative professionals. The Company completed its initial public offering (“IPO”) in May 2018, whereby it sold 23.8 million shares at a price of \$15.00 per share, for gross proceeds of \$357 million. Less than a year later, Pluralsight completed a secondary public offering (“SPO”) on March 6, 2019, whereby it sold 15.6 million shares at a price of \$29.25 per share, for gross proceeds of over \$450 million. The SPO served as a massive cash-out for Pluralsight insiders, as all the proceeds went to Company insiders and related parties; and conversely none of the money was raised to fund corporate developments or initiatives.

3. Throughout the Class Period, Pluralsight misrepresented the Company’s business outlook, particularly related to the Company’s salesforce and its ability to generate strong growth in billings. Specifically, the Company failed to disclose that Pluralsight was experiencing substantial delays in hiring and properly training the salesforce necessary to meet its lofty billing projections. In addition, the Company knew at the time of the March 2019 SPO that it was behind schedule onboarding new sales representatives, which was hurting the Company’s sales execution and preventing Pluralsight from meeting its high growth projections. Instead of disclosing such facts at the time of the SPO, and to cash-out at inflated prices, Defendants intentionally obscured and omitted this pertinent information from investors.

4. On July 31, 2019, after the close of the markets, Pluralsight announced disappointing financial results for the second quarter ended June 30, 2019, and that its billings growth rate had sharply deteriorated from over 40% to just 23% year-over-year. The Company blamed its declining growth in billings on sales execution challenges and other issues with its salesforce. Pluralsight also disclosed that its Chief Revenue Officer was resigning. In response to these disclosures, Pluralsight's share price plummeted. The stock price fell \$12.13 per share in a single day – a nearly 40% drop – to close at \$18.56 per share on August 1, 2019.

5. Plaintiff and the other Class members have suffered significant damages due to Defendants' false and misleading statements and omissions.

## **II. JURISDICTION AND VENUE**

6. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange Act (15 U.S.C. §§ 78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17 C.F.R. § 240.10b-5).

7. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C. § 1331, Section 27 of the Exchange Act (15 U.S.C. § 78aa).

8. Venue is proper in this Judicial District pursuant to 28 U.S.C. § 1391(b), Section 27 of the Exchange Act (15 U.S.C. § 78aa(c)), as the Company's common stock trades on the NASDAQ Global Market ("NASDAQ"), located within this District. Substantial acts in furtherance of the alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts charged herein, including the dissemination of materially false and/or misleading information, occurred in substantial part in this Judicial District, including the preparation and dissemination of offering documents in connection with the SPO.

### **III. CLASS ACTION ALLEGATIONS**

9. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons and entities who purchased or otherwise acquired Pluralsight common stock from August 2, 2018 through July 31, 2019, and who were damaged thereby (the “Class”). Excluded from the Class are Defendants, members of the immediate family of each of the Individual Defendants, any subsidiary or affiliate of Pluralsight and the directors, officers and employees of the Company or its subsidiaries or affiliates, or any entity in which any excluded person has a controlling interest, and the legal representatives, heirs, successors and assigns of any excluded person.

10. The members of the Class are so numerous that joinder of all members is impracticable. While the exact number of Class members is unknown to Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes that there are hundreds or thousands of members in the proposed Class. Throughout the Class Period, Pluralsight’s common stock was actively traded on the NASDAQ (an open and efficient market) under the symbol “PS.” Millions of Pluralsight shares were traded publicly during the Class Period on the NASDAQ. As of July 19, 2019, Pluralsight had approximately 140 million shares of common stock outstanding, of which 101 million shares were the publicly traded Class A common stock. Record owners and the other members of the Class may be identified from records maintained by Pluralsight and/or its transfer agents and may be notified of the pendency of this action by mail, using a form of notice similar to that customarily used in securities class actions.

11. Plaintiff's claims are typical of the claims of the other members of the Class as all members of the Class are similarly affected by Defendants' wrongful conduct in violation of federal law that is complained of herein.

12. Plaintiff will fairly and adequately protect the interests of the other members of the Class, and has retained counsel competent and experienced in class and securities litigation.

13. Common questions of law and fact exist as to all members of the Class and predominate over any questions solely affecting individual members of the Class. Among the questions of law and fact common to the Class are:

- a) whether the federal securities laws were violated by Defendants' acts and omissions as alleged herein;
- b) whether Defendants participated in and pursued the common course of conduct complained of herein;
- c) whether documents, press releases, and other statements disseminated to the investing public and the Company's shareholders during the Class Period misrepresented material facts about the business, finances, and prospects of Pluralsight;
- d) whether statements made by Defendants to the investing public during the Class Period misrepresented and/or omitted to disclose material facts about the business, finances, value, performance and prospects of Pluralsight;
- e) whether the market price of Pluralsight common stock during the Class Period was artificially inflated due to the material misrepresentations and failures to correct the material misrepresentations complained of herein; and
- f) the extent to which the members of the Class have sustained damages and the proper measure of damages.

14. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy since joinder of all members is impracticable. Furthermore, as the damages suffered by individual Class members may be relatively small, the expense and

burden of individual litigation make it impossible for members of the Class to individually redress the wrongs done to them. There will be no difficulty in the management of this action as a class action.

#### **IV. PARTIES**

15. Plaintiff City of Birmingham Firemen's and Policemen's Supplemental Pension System purchased Pluralsight common stock during the Class as set forth in the accompanying certification, incorporated by reference herein, and suffered damages as a result of the federal securities law violations alleged herein.

16. Defendant Pluralsight is incorporated in Delaware, and the Company's principal executive offices are located in Farmington, Utah. Pluralsight common stock trades on the NASDAQ under the symbol "PS."

17. Defendant Aaron Skonnard ("Skonnard") has served at all relevant times as the Company's Chief Executive Officer, Co-Founder and a Chairman of Pluralsight's Board of Directors.

18. Defendant James Budge ("Budge") has served at all relevant times as the Company's Chief Financial Officer.

19. Defendants Skonnard and Budge are referred to as the "Individual Defendants."

20. Pluralsight and the Individual Defendants are referred to as the "Defendants."

21. During the Class Period, the Individual Defendants, as senior executive officers and/or directors of Pluralsight, were privy to confidential, proprietary and material adverse non-public information concerning Pluralsight, its operations, finances, financial condition and present and future business prospects via access to internal corporate documents, conversations and connections with other corporate officers and employees, attendance at management and/or

board of directors meetings and committees thereof, and via reports and other information provided to them in connection therewith. Because of their possession of such information, the Individual Defendants knew or recklessly disregarded that the adverse facts specified herein had not been disclosed to, and were being concealed from, the investing public.

22. The Individual Defendants are liable as direct participants in the wrongs complained of herein. In addition, the Individual Defendants, by reason of their status as senior executive officers and/or directors, were “controlling persons” within the meaning of Section 20(a) of the Exchange Act and had the power and influence to cause the Company to engage in the unlawful conduct complained of herein. Because of their positions of control, the Individual Defendants were able to and did, directly or indirectly, control the conduct of Pluralsight’s business.

23. The Individual Defendants, because of their positions with the Company, controlled and/or possessed the authority to control the contents of its reports, press releases and presentations to securities analysts, and through them, to the investing public. The Individual Defendants were provided with copies of the Company’s reports and publicly disseminated documents alleged herein to be misleading, prior to or shortly after their issuance, and had the ability and opportunity to prevent their issuance or cause them to be corrected. Thus, the Individual Defendants had the opportunity to commit the fraudulent acts alleged herein.

24. As senior executive officers and/or directors and as controlling persons of a publicly traded company whose common stock is, and is, registered with the SEC pursuant to the Exchange Act, and were traded on the NASDAQ and governed by the federal securities laws, the Individual Defendants had a duty to disseminate promptly accurate and truthful information with respect to Pluralsight’s financial condition and performance, growth, operations, financial

statements, business, products, markets, management, earnings, and present and future business prospects, to correct any previously issued statements that had become materially misleading or untrue, so the market price of Pluralsight's common stock would be based on truthful and accurate information. The Individual Defendants' misrepresentations and omissions during the Class Period violated these specific requirements and obligations.

25. The Individual Defendants are liable as participants in a fraudulent scheme and course of business that operated as a fraud or deceit on purchasers of Pluralsight's publicly traded common stock by disseminating materially false and misleading statements and/or concealing material adverse facts.

## **V. SUBSTANTIVE ALLEGATIONS**

### **A. Background**

26. Pluralsight utilizes a subscription-based business model known as "software as a service" ("SaaS"), whereby the Company's software is licensed to users on a subscription basis. Pluralsight generates substantially all of its revenue based on these subscriptions. To drive revenue growth, Pluralsight relies on its large direct sales force which sells subscriptions to business and enterprise users. Pluralsight utilizes a metric known as "billings" as a primary measure of growth, which it defines as total revenue for a period, plus the change in deferred revenue based on the subscription period.

27. The ability to increase billings was critical to Pluralsight. In its SEC filings, the Company explained that billings are used "to measure and monitor our ability to provide our business with the working capital generated by upfront payments from our customers and our ability to sell subscriptions to our platform to both existing and new customers." Accordingly,



soon after the Company went public in May 2018, it disclosed to the market that it was hiring individuals to join its sales team.

**B. Defendants' Materially False and Misleading Statements**

28. On August 1, 2018, after the market closed, the Company issued a press release announcing financial results for the second quarter ended June 30, 2018. The Company reported billings of \$65.3 million, and billings from business customers of \$54.6 million. The Company also conducted an investor conference call where Skonnard represented that “billings from our top 25 customers for the last 12 months increased by approximately 13 times from the billings we generated from those same customers in the year of their initial purchase. All of this has led to our strong and growing retention rate of 125%.” Skonnard further represented that the Company’s partnerships with “major tech companies” “will continue to expand our reach into the developer community, further monetize on our content production engine and decrease our go-to-market cost over time.” Skonnard further represented:

Our land and expand strategy continues to be successful as evidenced by the growing number of customers with large deal sizes. For example, for the trailing 12 months the number of customers with annual billings greater than \$100,000 increased by 84%.

In Q2 our B2B business represented 84% of total billings, up from 78% in Q2 last year. And our B2B dollar-based retention grew to 125%, up from 120% at the end of Q1 2018. Our Q2 gross margin was 76%, up from 74%, and we see a clear path to further improving gross margins over the next one to two years.

29. During the Q&A session of the call, in response to an analyst’s question about Pluralsight’s pipeline in the B2B billings segment, Budge represented, “I’d say we feel really good about our pipeline. It has the same kind of standard metrics you’d expect to be in there to support some of the forecasts that we are putting out there. So we feel really good. There’s a lot of deals that are sizable.” Analysts pressed management to disclose the initiatives it was taking

to increase billings as the sales force matured, but Budge responded with vague allusions to efficiencies and being “in [a] heavy investing mode in sales and marketing.” Budge reassured that Pluralsight’s sales “pipeline looks great and we feel really good about that for the next several quarters.”

30. Also on August 1, 2018, the Company filed a quarterly report on Form 10-Q for the second quarter ended June 30, 2018. The Form 10-Q contained signed certifications by Defendants Skonnard and Budge pursuant to the Sarbanes-Oxley Act of 2002 (“SOX”). Pluralsight represented in the Form 10-Q that “[w]e monitor billings and certain related key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.” Pluralsight also represented in the Form 10-Q that “[w]e believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term.”

31. On August 29, 2018, at a Company meeting with analysts and investors, Budge represented that “the big top line measure we look at is our business billings that we have. The last 12 months, north of 60% growth in our business billings, over 50% growth for the last five quarters. And we did it again in the second quarter off of a much more difficult compare to the second quarter of last year, so really good growth in our segment.” Budge further represented that all of Pluralsight’s sales representatives hired by the Company between 2016 and 2018 “are starting to become more tenured, we’re getting more productivity out of them, which is why we don’t have to double our sales force every single year. And you’ll start to see that benefit pay off in the bottom line.”

32. Skonnard also represented, “we’ll be able to keep attracting all the talent we need ... because we’re also listing the Utah brand across the country and even around the world... And that work is really making a difference.” He continued, “[s]o we’re having a lot of success... importing talent from outside of Utah, especially the talent that’s seen bigger scale, that’s done amazing things. And so we’re very proactive about bringing that talent to Utah.”

33. On October 24, 2018, the Company issued a press release announcing financial results for the third quarter ended September 30, 2018, where Pluralsight reported billings of \$72.2 million and billings from business customers of \$61.1 million. The Company also conducted an investor conference call where Skonnard represented:

We continue to see strong momentum across our business in the third quarter and achieved our sixth consecutive quarter of greater than 50% growth in B2B billings. We continue to invest across our business while demonstrating the inherent levers to profitability in our model. Gross operating and cash flow margins improved significantly year-over-year. Our teams continue to execute with strong focus and commitment to customer success, as demonstrated by our dollar-based net retention rate reaching 127%.

34. Budge also represented that Pluralsight’s “land and expand strategy continues to be successful as evidenced by the growing number of customers with larger deal sizes. For the trailing 12 months, the number of customers with annual billings greater than \$100,000 increased by 79%” and as “an indicator of our ability to significantly expand in our customer base, billings from our top 25 customers for the last 12 months increased by approximately 18x from the billings we generated from those same customers in the year of their initial purchase. This has helped lead to our strong and growing retention rate of 127%.” Budge also represented that the “combination of our acquisition of new customers and our ability to expand within our customer base resulted in a record third quarter for Pluralsight.”

35. During the Q&A session, an analyst asked, “[i]s it just these enterprise reps that you’ve hired over the last several quarters really hitting their stride and closing some of these bigger, more complex deals, awareness of the category?” In response, Skonnard represented:

We’re definitely sitting within a megatrend that we see happened across the entire industry where every company is committing to becoming more of a tech company, and they’re also facing this massive tech skills gap. Our solution fits right into that space as a scalable platform that can solve that problem for them. So as we show up to new businesses, and as I’ve been traveling around myself visiting with the large Fortune 500 C-level execs, we’re showing up and getting above the power line immediately with the CIO, the CTO, and that is happening because of our enterprise account executives, who are joining the team, who have been joining the team over the last 2 years with that experience and with that capability. So you got the trend, you’ve got the talent, and you have product market set that is working. That’s incredibly compelling for these customers. And we’re seeing the land become much bigger as a result of that. The conversations are very strategic in nature and long-term focused. And that’s changing what you’re seeing in the 100k-plus deals from the get go. In addition to that, we’re continuing to see strong bottoms-up expansion, the land and expand notion that we build this business on is continuing to end up in the same place. So we have both of those notions happening concurrently and ... producing powerful results.

36. Also, on October 24, 2018, the Company filed a quarterly report on Form 10-Q for the second quarter ended September 30, 2018. The Form 10-Q contained signed SOX certifications by Defendants Skonnard and Budge. Pluralsight represented in the Form 10-Q that “[w]e monitor billings and certain related key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions.” Pluralsight also represented in the Form 10-Q, “[w]e believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term.”

37. On January 16, 2019, Pluralsight presented at the Needham Growth Conference. In reference to investments in a direct sales force, Budge represented, “I think we will continue to invest, and we are seeing leverage now.” He further represented:

We built out some of the infrastructure around sales to scale. We didn’t have to keep growing it. And in the third quarter, we grew our B2B billings by 53% and only grew our sales and marketing expense by 29%. So I think you’re starting now to see some of that efficiency flow through the business, which is why we were able to get back to cash flow profitable in the third quarter. We expected, we said we would do it again in the fourth quarter. You can assume we did do that in the fourth quarter, where we hit our cash flow profitable on operating cash on a free case basis.

So it’s work—it seems to be working. So we had a lot of great sales reps. They’re killing it. And a lot of great infrastructure around them that has improved our retention massively and we’re now at scale, we’re starting to see the efficiencies around that.

38. On February 13, 2019, Pluralsight issued a press release announcing financial results for the fourth quarter and year ended December 31, 2018. Specifically, the Company reported fourth quarter billings of \$100.6 million and billings from business customers of \$87.1 million. For the year, billings were \$293.6 million and billings from customers were \$248.2 million. In the press release, Skonnard represented, “Pluralsight’s fourth quarter capped off a milestone year for the company, highlighted by strong customer additions and 42% revenue growth. We achieved our seventh consecutive quarter of greater than 50% growth in B2B billings, while continuing to demonstrate the inherent levers to profitability in our model.”

39. Also, on February 13, 2019, Pluralsight conducted an investor conference call where Skonnard represented that Pluralsight “achieved our seventh consecutive quarter of greater than 50% growth in B2B billings, while continuing to demonstrate the inherent levers to profitability in our model by exiting the year with positive free cash flow in Q4 as we committed to deliver when we went public last May.” Skonnard also represented:

As an indicator of our ability to significantly expand on our customer base, billings from our top 25 customers for the last 12 months increased by approximately 20 times from the billings we generated from those same customers in the year of their initial purchase. This has helped lead to our strong and growing dollar-based net retention rate of 128%.

In addition to expansion, we also saw strong performance in net new business during the quarter, as demonstrated by over 570 new business customer wins. These included a Fortune 50 multinational aerospace corporation, a Fortune 500 industrial supply corporation, one of the world's largest multinational banks, a Fortune 100 airline and the national law enforcement agency of a major European country. These new customer wins demonstrate that our platform works for any industry at scale. The combination of our acquisition of new customers and our ability to expand within our customer base resulted in a record quarter for Pluralsight.

40. In response to an analyst's question about billing, Skonnard represented:

[W]hen we look at overall billings of the company, the way we define new versus expand and renew, our new business continues to increase at a percentage of the overall pie every year. We have a pretty tight description of and definition of what new equals. Right now, we're trending toward about 20% of our overall billings in any given year is coming from new business and that's come up fairly well over the last couple of years. So a lot of emphasis we put into new, driving more pipeline there and sensing a lot of our sales force to drive more new, that's certainly going to be a feeder for us over time as we continue to grow.

41. With respect to hiring trends for the sales force, Budge represented, "[t]otal quota-bearing reps closing in around 240, we expect that to grow to probably over 300 as we roll through 2019. So definitely when we think about where our investment,...go-to-market and product are by far the 2 biggest areas where we're investing in 2019, similar to what we did in 2018. So more reps to come, more on quota on the street and more goodness from them."

42. On February 21, 2019, the Company filed an annual report on Form 10-K for the year ended December 31, 2018. The Form 10-K contained signed certifications by Defendants Skonnard and Budge pursuant to SOX. Pluralsight represented in the Form 10-K, "[w]e monitor business customers, billings, and certain related key business metrics to help us evaluate our

business, identify trends affecting our business, formulate business plans, and make strategic decisions.” Pluralsight also represented in the Form 10-K that “[w]e believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term.” In regard to growing its business customer base, Pluralsight represented in the Form 10-K that “[w]e have a large direct sales force to focus on business sales and have aligned our sales team’s compensation structure to fit this objective. We have also been able to drive substantial increases in the productivity and effectiveness of our sales personnel over time as they gain more experience selling subscriptions to our platform.”

43. In connection with the SPO, the Company filed with the SEC a Form S-1 Registration Statement on March 4, 2019 and a prospectus on March 7, 2019 (the Registration Statement and the Prospectus are collectively referred to as the “Prospectus”). Also on March 7, 2019, Pluralsight issued a press release announcing the \$29.25 per share pricing of its SPO of 13,558,464 shares, to be sold by certain selling stockholders. Such selling stockholders granted the underwriters a 30-day option to purchase up to an additional 2,033,770 shares of Pluralsight common stock. The total gross proceeds were over \$450 million. Pluralsight did not receive any proceeds from the sale of the shares of its common stock as all of the proceeds went to the selling Company insiders and related parties.

44. The Prospectus reassured investors that Pluralsight had “significantly expanded our direct sales force to focus on business sales,” and “[w]e have also been able to drive substantial increases in the productivity and effectiveness of our sales personnel over time as they gain more experience selling subscriptions to our platform.” The Prospectus noted that in

2018, 85% of billings came from business customers. The Prospectus further explained that “[w]e believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term.”

45. On May 1, 2019, the Company issued a press release announcing financial results for the first quarter ended March 31, 2019. The Company reported billings of \$77.9 million. In the press release, Skonnard represented, “[o]ur Q1 financial results marked a great start to 2019. Revenue and billings growth continue to be strong with both up over 40% year-over-year. We continue to demonstrate the efficiency in our model with our third consecutive quarter of positive cash flow.”

46. Later that day, the Company conducted an investor conference call where Budge represented, in regard to sales growth, “there’s probably only so many reps we could hire in any given year. We do have a pace to it that between our people team and our sales management teams that puts people through good rigor on the kind of reps that we would like to hire into our organization. And we like the direction we’re going on both a top and bottom line.” Also, during the Company’s earnings call, Skonnard represented that “[r]evenue and billings growth continue to be strong with both up over 40% year-over-year. We continued to demonstrate the efficiency in our model with our third consecutive quarter of positive cash flow. And our teams continue to execute with strong focus and commitment to customer success as demonstrated by our dollar-based net retention rate of 128%.” Budge also represented that “we’re still committed, and we see a clear path to having 300-plus reps by the time we exit the year. So the short answer is we’re on pace.” Budge further represented that “[w]e’ll incentivize our sales forces to create that experience for the customer and bring ultimately more billings into Pluralsight.” Budge



further stated the following regarding the Company's progress in hiring sales representatives in relation to its end-of-year target:

[W]e like where we are with our sales reps. We're committed to continue to grow the sales force. We have a plan to grow into the high 200s, even cross over 300s in quota-bearing reps this year, 2019, which continues on the really outstanding progression we've had over the last few years where we've massively expanded our sales force from 80 quota-bearing reps two years ago to at the end of this year over 300. So a lot of growth there.

47. Also, on May 1, 2019, the Company filed a quarterly report on Form 10-Q for the first quarter ended March 31, 2019. The Form 10-Q contained signed SOX certifications by Defendants Skonnard and Budge. Pluralsight represented in the Form 10-Q that "[w]e monitor billings and certain related key business metrics to help us evaluate our business, identify trends affecting our business, formulate business plans, and make strategic decisions." Pluralsight also represented in the Form 10-Q that "[w]e believe that billings from business customers will be a significant source of future revenue growth and a key factor affecting our long-term performance. We expect our billings from business customers to continue to increase as a percentage of billings over the long term."

48. On June 17, 2019, Pluralsight filed a Form 8-K with the SEC announcing that its 2018 Form 10-K materially understated the Company's net losses, which was related to the incorrect timing of recognition of certain expenses beginning with the Company's second quarter of 2018 results. Pluralsight went out of its way to reassure investors that the adjustment did not affect "key business metrics" such as billings. The restatement increased 2018 sales and marketing expenses by over \$4.7 million. Pluralsight reaffirmed both its second quarter of 2019 and fiscal year 2019 guidance, and failed to disclose that due to undisclosed issues with its sales team, the Company would fall far short of billings estimates.

49. The above statements in paragraphs 28-42; 44-48 were materially false and/or misleading and failed to disclose material adverse facts about the Company's business, operations, and prospects. Defendants failed to disclose that: (i) Pluralsight was experiencing sales execution challenges which impacted its billings; (ii) Pluralsight was experiencing substantial delays in hiring and properly training its salesforce that would be necessary to meet its lofty billing projections; (iii) Pluralsight was behind on the onboarding of new sales representatives which was causing sales execution issues and preventing the Company from meeting its high growth projections; and (iv) as a result of the foregoing, Defendants' public statements were materially false and/or misleading and/or lacked a reasonable basis.

**C. The Truth Is Revealed**

50. On July 31, 2019, after the close of the markets, Pluralsight disclosed that its billings growth had sharply deteriorated from over 40% to just 23% year-over-year. During an analyst conference call, Skonnard attributed the shortfall to "sales execution challenges, which impacted our billings." Budge disclosed that "[s]imply put, ... there were dozens of reps that we needed to bring on board at the end of last year, beginning into this year, so they would ramp and become fully productive in the second quarter. And there [were] for a number of reasons delays in bringing them on board until, ... early to mid-second quarter." Notably, this statement shows that the Company was aware of the hiring delays at the time of the SPO.

51. On the conference call, Skonnard also explained that Pluralsight "hired over 100 new sales reps in the last 12 months, which may seem like a lot, but that was not enough capacity in the system to sustain our high growth expectations as we entered the year. In addition, the type of fast growth we've enjoyed requires us to provide prescriptive and effective sales enablement, and we didn't invest enough in that area of our business." Pluralsight further

disclosed that its Chief Revenue Officer was resigning and would be replaced by the end of the third quarter.

52. On August 1, 2019, a Barclays analyst report cut the Company's price target from \$41.00 to \$26.00, and stated that "[m]anagement will be in the penalty box after reiterating guidance" in a June 17, 2019 Form 8-K, which Barclays noted was filed "with only two weeks left in the quarter." SunTrust similarly cut its price target from \$41.00 to \$27.00, and stated that "we are surprised by the magnitude of the billings weakness and we expect the stock to be a show-me story until investors gain confidence in billings re-acceleration," a sentiment echoed by Raymond James, which lowered the Company's price target to \$26.00 and noted it was "surprised by the magnitude of the ~17 point deceleration in billings."

53. In response to these revelations, Pluralsight's share price plummeted \$12.13 per share or nearly 40%, to close at \$18.56 per share on August 1, 2019. Over the next two trading days, Pluralsight's share price declined an additional 5%, closing at \$17.64 per share on August 5, 2019.

## **VI. UNDISCLOSED ADVERSE FACTS**

54. The market for Pluralsight common stock was an open, well-developed and efficient market at all relevant times. As a result of the materially false and misleading statements and omissions described herein, Pluralsight common stock traded at artificially inflated prices during the Class Period. Said statements and omissions were materially false and misleading in that they failed to disclose material adverse non-public information and misrepresented the truth about the Company, as well as its business, accounting, financial operations and prospects, as alleged herein. Plaintiff and the other members of the Class purchased or otherwise acquired Pluralsight common stock relying upon the integrity of the

market price of the Company's common stock and market information relating to Pluralsight, and have been damaged thereby.

55. At all relevant times, the material misrepresentations and omissions particularized in this Complaint directly or proximately caused or were a substantial contributing cause of the damages sustained by Plaintiff and the other members of the Class.

## **VII. LOSS CAUSATION**

56. During the Class Period, as detailed herein, the Defendants made a series of false and misleading statements and omissions that artificially inflated the prices of Pluralsight common stock and operated as a fraud or deceit on Class Period purchasers of Pluralsight common stock by failing to disclose to investors material adverse facts. When Defendants' misrepresentations and fraudulent conduct were disclosed, the price of Pluralsight common stock fell precipitously as the prior inflation came out of the prices of the Company's common stock. As a result of their purchases of Pluralsight common stock during the Class Period, Plaintiff and the other Class members suffered economic loss.

57. By Defendants' failing to disclose the true state of the Company's business, investors were not aware of the true state of the Company's financial status. Therefore, the Defendants presented a misleading picture of Pluralsight's business practices and procedures. Thus, instead of truthfully disclosing during the Class Period the true state of the Company's business, Defendants caused Pluralsight to conceal the truth.

58. The decline in the price of Pluralsight's common stock after the truth came to light was a direct result of the nature and extent of the Defendants' fraud finally being revealed to investors and the market. The timing and magnitude of Pluralsight's common stock price decline negate any inference that the loss suffered by Plaintiff and the other Class members was

caused by changed market conditions, macroeconomic or industry factors, or Company-specific facts unrelated to the Defendants' fraudulent conduct. The economic loss suffered by Plaintiff and the other Class members was a direct result of the Defendants' fraudulent scheme to artificially inflate the prices of Pluralsight common stock and the subsequent decline in the value of Pluralsight common stock when the Defendants' prior misrepresentations and other fraudulent conduct were revealed.

#### **VIII. SCIENTER ALLEGATIONS**

59. As alleged herein, the Individual Defendants acted with scienter in that the Individual Defendants knew that the public documents and statements issued or disseminated in the name of the Company during the Class Period were materially false and misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws.

60. As set forth herein, the Individual Defendants, by virtue of their receipt of information reflecting the true facts regarding Pluralsight, their control over, receipt and/or modification of Pluralsight's allegedly materially misleading statements and omissions, and/or their positions with the Company which made them privy to confidential information concerning Pluralsight, participated in the fraudulent scheme alleged herein.

#### **IX. APPLICABILITY OF PRESUMPTION OF RELIANCE: FRAUD-ON-THE-MARKET DOCTRINE**

61. At all relevant times, the market for Pluralsight's common stock was an efficient market for the following reasons, among others:

- a) Pluralsight's common stock met the requirements for listing, and were listed and actively traded on the NASDAQ, a highly efficient market;

- b) As a regulated issuer, Pluralsight filed periodic public reports with the SEC and the NASDAQ;
- c) Pluralsight's common stock was followed by securities analysts employed by major brokerage firms who wrote reports which were distributed to the sales force and certain customers of their respective brokerage firms. Each of these reports was publicly available and entered the public marketplace; and
- d) Pluralsight regularly issued press releases which were carried by national newswires. Each of these releases was publicly available and entered the public marketplace.

62. As a result of the foregoing, the market for Pluralsight's common stock promptly digested current information regarding Pluralsight from all publicly available sources and reflected such information in Pluralsight's stock price. Under these circumstances, all purchasers of Pluralsight's common stock during the Class Period suffered similar injury through their purchase of Pluralsight's common stock at artificially inflated prices and a presumption of reliance applies.

63. A Class-wide presumption of reliance is also appropriate in this action under the U.S. Supreme Court's holding in *Affiliated Ute Citizens of Utah v. United States*, 406 U.S. 128 (1972), because Plaintiff's fraud claims are grounded in Defendants' omissions of material fact of which there is a duty to disclose. As this action involves Defendants' failure to disclose material adverse information regarding Pluralsight's business practices, financial results and condition, and the Company's internal controls—information that Defendants were obligated to disclose during the Class Period but did not—positive proof of reliance is not a prerequisite to recovery. All that is necessary is that the facts withheld be material in the sense that a reasonable investor might have considered such information important in the making of investment decisions.

**X. NO SAFE HARBOR**

64. The federal statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward-looking, they were not identified as “forward-looking statements” when made, and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

65. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Pluralsight who knew that the statement was false when made.

**XI. CLAIMS AGAINST DEFENDANTS**

**COUNT I**

**Violations of Section 10(b) of the Exchange Act and  
Rule 10b-5 Promulgated Thereunder  
Against All the Defendants**

66. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein. This claim is asserted against all Defendants.

67. During the Class Period, Pluralsight and the Individual Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did:

(i) deceive the investing public, including Plaintiff and the other Class members, as alleged herein; (ii) artificially inflate and maintain the market price of Pluralsight common stock; and (iii) cause Plaintiff and the other members of the Class to purchase Pluralsight common stock at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, Defendants, and each of them, took the actions set forth herein.

68. These Defendants: (a) employed devices, schemes, and artifices to defraud; (b) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (c) engaged in acts, practices and a course of business which operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to maintain artificially high market prices for Pluralsight common stock in violation of Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder. The Exchange Act Defendants are sued as primary participants in the wrongful and illegal conduct charged herein. The Individual Defendants are also sued herein as controlling persons of Pluralsight, as alleged herein.

69. Pluralsight and the Individual Defendants, individually and in concert, directly and indirectly, by the use of means or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a continuous course of conduct to conceal adverse material information about the business, business practices, performance, operations and future prospects of Pluralsight as specified herein. These Defendants employed devices, schemes and artifices to defraud, while in possession of material adverse non-public information and engaged in acts, practices, and a course of conduct as alleged herein in an effort to assure investors of Pluralsight's value and performance and substantial growth, which included the making of, or the participation in the making of, untrue statements of material facts, and omitting to state



material facts necessary in order to make the statements made about Pluralsight and its business, operations and future prospects, in light of the circumstances under which they were made, not misleading, as set forth more particularly herein, and engaged in transactions, practices and a course of business which operated as a fraud and deceit upon the purchasers of Pluralsight's common stock during the Class Period.

70. Each of the Individual Defendants' primary liability, and controlling person liability, arises from the following facts: (i) each of the Individual Defendants was a high-level executive and/or director at the Company during the Class Period; (ii) each of the Individual Defendants, by virtue of his responsibilities and activities as a senior executive officer and/or director of the Company, was privy to and participated in the creation, development and reporting of the Company's operational and financial projections and/or reports; (iii) the Individual Defendants enjoyed significant personal contact and familiarity with each other, and were advised of and had access to other members of the Company's management team, internal reports, and other data and information about the Company's financial condition and performance at all relevant times; and (iv) the Individual Defendants were aware of the Company's dissemination of information to the investing public which they knew or recklessly disregarded was materially false and misleading.

71. These Defendants had actual knowledge of the misrepresentations and omissions of material facts set forth herein, or acted with reckless disregard for the truth in that they failed to ascertain and to disclose such facts, even though such facts were readily available to them. Such Defendants' material misrepresentations and/or omissions were done knowingly or recklessly, and for the purpose and effect of concealing Pluralsight's operating condition, business practices and future business prospects from the investing public and supporting the

artificially inflated price of its common stock. As demonstrated by their overstatements and misstatements of the Company's financial condition and performance throughout the Class Period, the Individual Defendants, if they did not have actual knowledge of the misrepresentations and omissions alleged, were severely reckless in failing to obtain such knowledge by deliberately refraining from taking those steps necessary to discover whether those statements were false or misleading.

72. As a result of the dissemination of the materially false and misleading information and failure to disclose material facts, as set forth above, the market price of Pluralsight common stock was artificially inflated during the Class Period. In ignorance of the fact that the market price of Pluralsight shares was artificially inflated, and relying directly or indirectly on the false and misleading statements made by Defendants, upon the integrity of the market in which the common stock trade, and/or on the absence of material adverse information that was known to or recklessly disregarded by the Exchange Act Defendants but not disclosed in public statements by these Defendants during the Class Period, Plaintiff and the other members of the Class acquired Pluralsight common stock during the Class Period at artificially inflated high prices and were damaged thereby.

73. At the time of said misrepresentations and omissions, Plaintiff and the other members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff and the other members of the Class and the marketplace known of the true performance, business practices, future prospects and intrinsic value of Pluralsight, which were not disclosed by the Exchange Act Defendants, Plaintiff and the other members of the Class would not have purchased or otherwise acquired Pluralsight common stock during the Class Period, or, if they

had acquired such securities during the Class Period, they would not have done so at the artificially inflated prices which they paid.

74. By virtue of the foregoing, Pluralsight and the Individual Defendants each violated Section 10(b) of the Exchange Act and Rule 10b-5 promulgated thereunder.

75. As a direct and proximate result of the Individual Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

## **COUNT II**

### **Violations of Section 20(a) of the Exchange Act Against The Individual Defendants**

76. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

77. The Individual Defendants were and acted as controlling persons of Pluralsight within the meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level positions with the Company, participation in and/or awareness of the Company's operations and/or intimate knowledge of the Company's actual performance, the Individual Defendants had the power to influence and control and did influence and control, directly or indirectly, the decision-making of the Company, including the content and dissemination of the various statements which Plaintiff contends are false and misleading. Each of the Individual Defendants was provided with or had unlimited access to copies of the Company's reports, press releases, public filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after these statements were issued, and had the ability to prevent the issuance of the statements or cause the statements to be corrected.

78. In addition, each of the Individual Defendants had direct involvement in the day-to-day operations of the Company and, therefore, is presumed to have had the power to control or influence the particular transactions giving rise to the securities violations as alleged herein, and exercised the same.

79. As set forth above, Pluralsight and the Individual Defendants each violated Section 10(b) and Rule 10b-5 by their acts and omissions as alleged in this Complaint. By virtue of their controlling positions, the Individual Defendants are liable pursuant to Section 20(a) of the Exchange Act. As a direct and proximate result of these Defendants' wrongful conduct, Plaintiff and the other members of the Class suffered damages in connection with their purchases of the Company's common stock during the Class Period.

## **XII. PRAYER FOR RELIEF**

WHEREFORE, Plaintiff, individually and on behalf of the Class, prays for judgment as follows:

- a) Declaring this action to be a class action pursuant to Rule 23(a) and (b)(3) of the Federal Rules of Civil Procedure on behalf of the Class defined herein;
- b) Awarding Plaintiff and the other members of the Class damages in an amount which may be proven at trial, together with interest thereon;
- c) Awarding Plaintiff and the other members of the Class pre-judgment and post-judgment interest, as well as their reasonable attorneys' fees and experts' witness fees and other costs; and
- d) Awarding such other relief as this Court deems appropriate.

## **XIII. JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: August 13, 2019

Respectfully Submitted,

/s/ Steven B. Singer

Steven B. Singer

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